NORTHWEST TERRITORIES ECONOMIC OPPORTUNITIES STRATEGY - DISCUSSION PAPER

WORKING TOGETHER

CONNECTING BUSINESSES AND COMMUNITIES TO ECONOMIC OPPORTUNITIES

WINTER 2012-2013

- NWT Chamber of Commerce
- Northern Aboriginal Business Association
- NWT Association of Communities
- Canadian Northern Economic Development Agency
- Industry, Tourism and Investment

NWT Chamber of Commerce

NABA Northern Aboriginal Business Association

nwtac NWT Association of Communities

Canadian Northern Economic Development Agency
Agence canadienne de développement économique du Nord

Northwest Territories Industry, Tourism and Investment

Printed December 18, 2012

MESSAGE FROM THE STRATEGY PARTNERS

Over the last 15 years, the economy of the Northwest Territories has transformed from one reliant on gold mining to one that has become dependent on diamond mining. Because of this transformation, the NWT has consistently led Canada in economic growth over this period.

Question Boxes **are placed within the document as they relate to the challenges and emerging opportunities.**
If you have any comments, please e-mail the Economic Advisory Panel at: Comments@NWTOpportunities.com

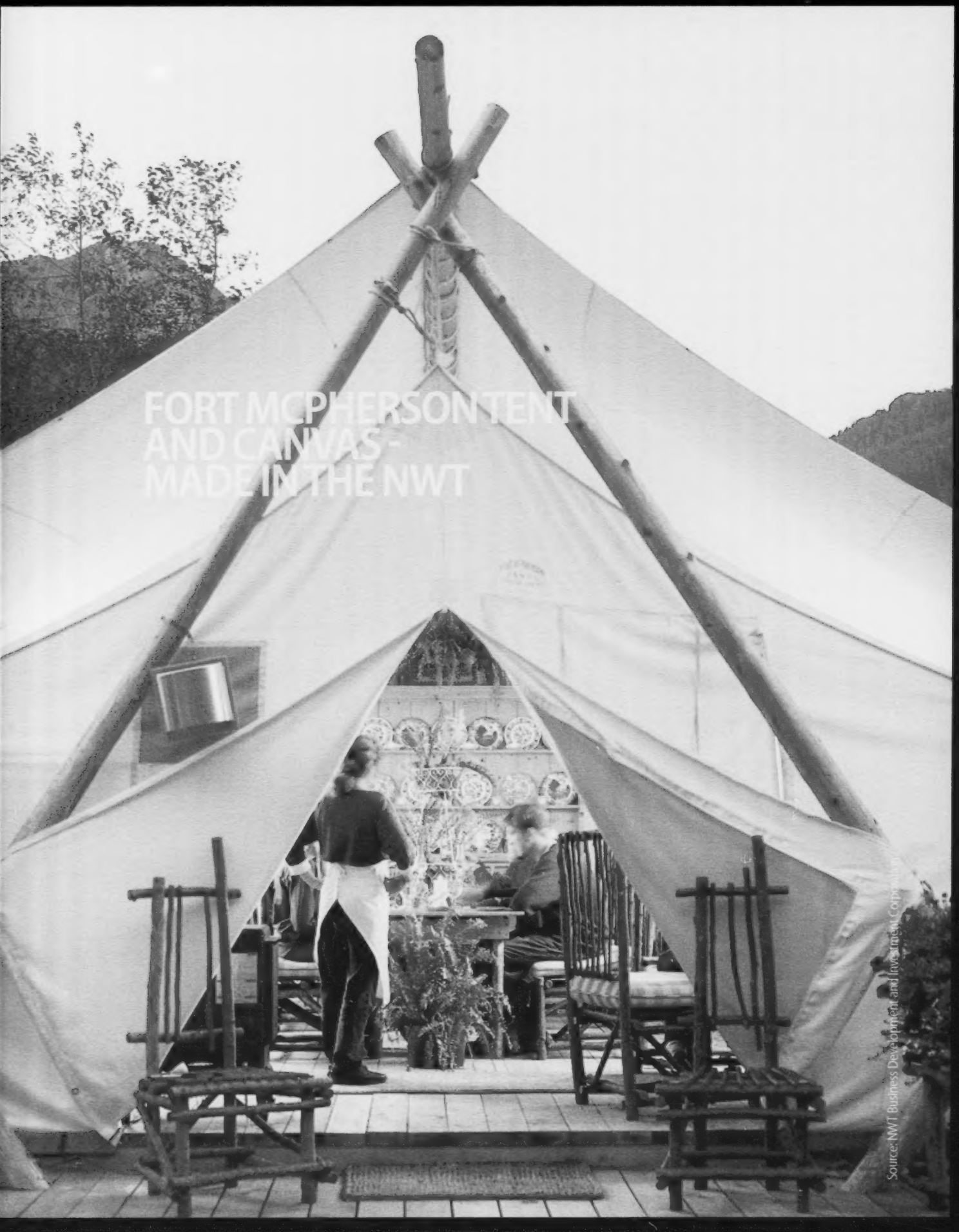
This transformation was based on the hard work and persistence of the exploration and development industry and determined northerners. Faced with a declining value in gold prices which ultimately led to the closure of producing gold mines, northerners had to look for alternative industries for growth. The result was the establishment of a new, vibrant and highly valuable diamond mining industry.

We know the economy is going to change: two of the NWT's existing diamond mines are scheduled for closure in the next decade, mineral exploration activity is well below its historical highs, the Mackenzie Valley Pipeline Project has not advanced to production, and the NWT population has stagnated. What this means is that the NWT once again needs to look for new opportunities for economic growth.

The Economic Opportunities Strategy will identify opportunities throughout the Territory, and build a common understanding of what barriers need to be addressed. Considering the breadth of this undertaking, some opportunities may require additional research and review.

The future economy is of interest to all residents, young and old. Your input is critical, as only by working together can we realize success. We encourage you to provide your comments and to get engaged.

- NWT Chamber of Commerce
- Northern Aboriginal Business Association (NABA)
- NWT Association of Communities (NWTAC)
- Canadian Northern Economic Development Agency (CanNor)
- Industry, Tourism and Investment (ITI)



Source: NWT Business Development and Investment Corporation

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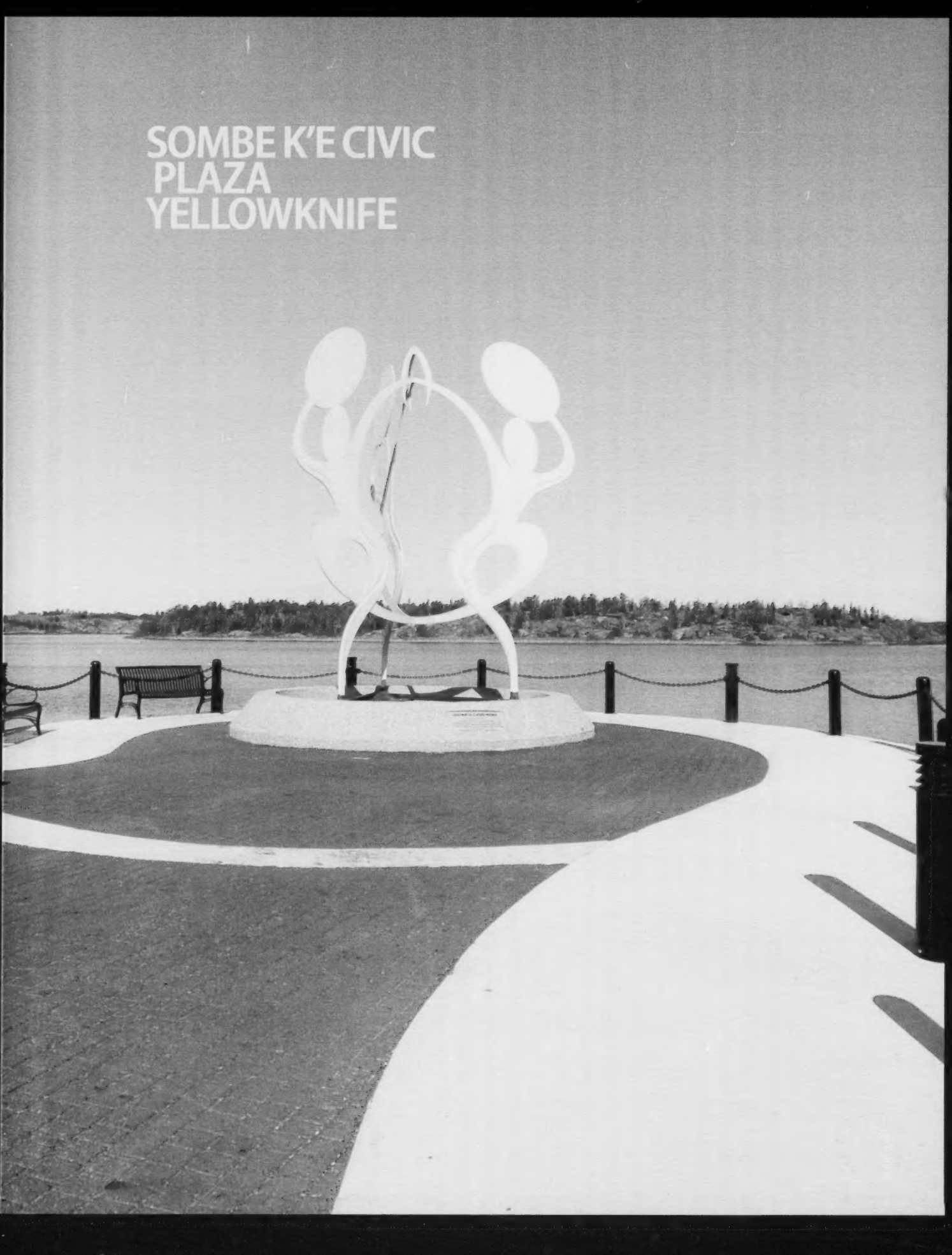
SOMBE K'E CIVIC PLAZA YELLOWKNIFE



PREPARING A STRATEGY

The NWT Economic Opportunities Strategy will examine current and emerging opportunities for economic growth and development. The strategy development team needs to hear from you - communities, industry, governments and businesses- about key business development issues including, but not limited to:

- The current state of businesses and industry; local, national and international interests;
- Opportunities and challenges that exist in your region and community
- Community priorities; and,
- The investment climate.

A successful opportunities strategy will reflect the views of all NWT stakeholders, and will position business and communities for a strong economic future, working together.

Benefits of Economic Growth

1. **Business Growth** – Most trade and service businesses depend on consumer or industrial markets. Investment growth, population growth and increased incomes are all essential to business expansion.
2. **Building a Strong Economic Base** – A strong economic base brings new money into the economy. Base industries are mainly built around tourism and the export of minerals, but also include film, fish, forest and other exports.
3. **Quality of Life** – Incomes, employment choices and business growth generally increase the standard of living for all residents. Added incomes translate into new business and employment opportunities.
4. **Expanded Tax Base** – Additional revenue would support, maintain, and improve community and territorial services such as: medical, infrastructure, education, communications, recreation facilities, housing, libraries, and/or other services.

HOW THE STRATEGY WILL BE PREPARED

Reference Materials

1. **Industry Profiles –** Detailed industry profiles have been compiled in a separate document. These profiles include a SWOT analysis of each industry
2. **Regional Profiles –** A set of regional economic profiles for the five NWT regions. A SWOT assessment will also be included.
3. **Literature Review –** A summary of economic strategies and professional papers related to development in the NWT and other regions.

Successful support of the NWT economy requires a partnership. As a result, we are using a collaborative approach to the Strategy's development. This approach will include open discussions in all communities and regions, guided by a Governance Committee made up of public/private sector partners. The Advisory Panel will actively engage businesses, industry, community and Aboriginal governments. There will be a dedicated web site for comments, research and discussion.

The preparation of the Strategy will include the following activities:

1. Establishment of a NWT Economic Opportunities Strategy Governance Committee, represented by the Northern Aboriginal Business Association (NABA); the NWT Chamber of Commerce; the NWT Association of Communities, and; Industry, Tourism and Investment (ITI)
2. Appointment of an Advisory Panel, including knowledgeable and successful business people, that will consult with the public;
3. Engagement - regional workshops, business and industry meetings, discussions with Aboriginal governments; and consultation with other government departments.
4. Development and subsequent finalization of a NWT Economic Opportunities Strategy.
5. Recommendations for future cooperation.

Women in Mining - Source: NWT Mine Training Society

WHAT WE WANT TO ACHIEVE

The purpose and goal of this project is completion of a regional and Industry opportunity analysis. This analysis will form the basis of the NWT Economic Opportunities Strategy.

When completed, the Strategy will include:

- A recommended set of actions to take advantage of regional strengths, address weaknesses, benefit from outside opportunities and avoid threats;
- Priority identification of economic opportunities; and,
- Recommendations to realize these opportunities.

Our intention is that once the Strategy is completed, it will be used as a guide - over the next decade - for partners to support the growth and development of NWT businesses and industry.

SWOT

Undertaking an industry or regional SWOT analysis requires identifying four characteristics:

Strengths: characteristics of the region or industry that give it an advantage over others - eg: diamond mines, forest resource, aurora viewing, airport connections, etc..

Weaknesses: are characteristics that place the region or industry at a disadvantage - eg: regulatory process, limited roads, access to land, etc.

Opportunities: external chances to improve performance or sales (e.g. Japanese interest in the North and Aurora).

Threats: external elements in the environment that could cause trouble for region or industry - eg: cheap airfares to Alaska.

Setting the objective should be done after the SWOT analysis has been performed. This would allow achievable goals or objectives to be set for the industry or region.

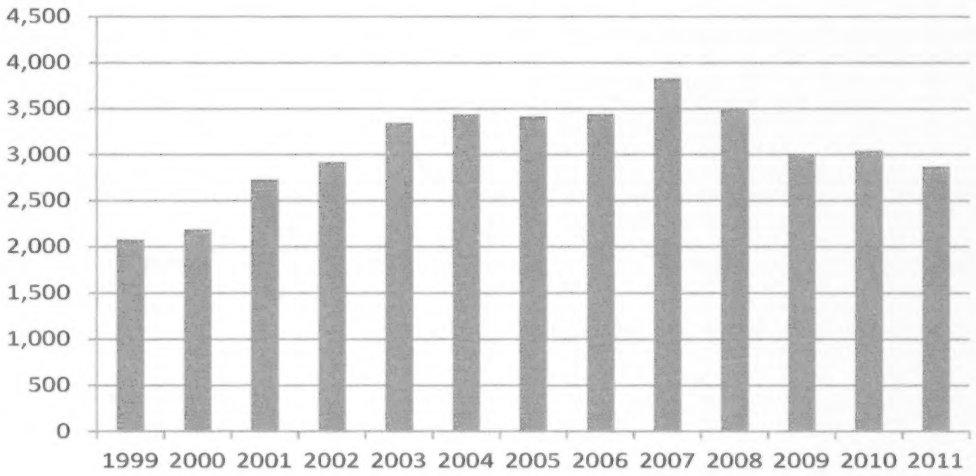
Suggested Principles

1. Recognize the competitive advantages of the NWT;
2. Ensure residents benefit from the development of resources;
3. Support opportunities, foster independence and protect and manage the use of land for future generations;
4. Promote a competitive business climate which enables all firms large and small, regardless of industry, to have an equal chance to prosper;
5. Respect cultural diversity and land claims;
6. The "Traditional Economy" is critical to supporting culture and the economic health of rural and remote communities; and
7. Decisions will take into account NWT-wide economic benefits and the objectives of sustainable development.

ECONOMIC SUMMARY

When thinking about our future economy, it would be beneficial to review our current circumstances and potential. The sections here provide a brief discussion on some of the key aspects of our current economy as well as, agreements and key policy directions being taken by different levels of government.

NWT GDP Over Time - (Real GDP, 2002 Chained $)



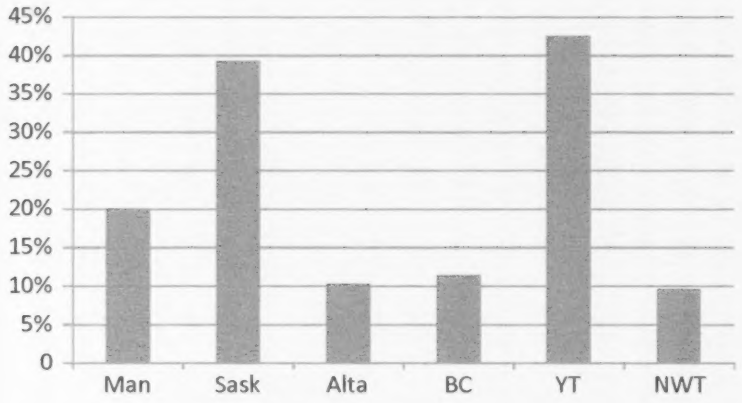
Source: Statistics Canada

As measured by the GDP or Gross Domestic Product, the NWT had record economic growth between 1999 and 2007. Since then, the economy has been in decline, with 2011 "real" GDP being on par with 2002.

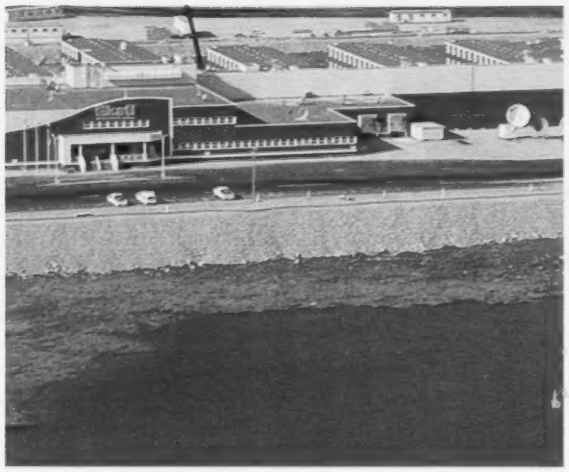
In 2011, diamond production was 11.0 million carats; peak production was reached in 2007 at 16.7 million carats.

NWT oil and gas production, as well as exploration, has been in decline. However, current spending in the Sahtu is expected to reverse this trend.

% GDP Change 2006-2010 - GDP Current $

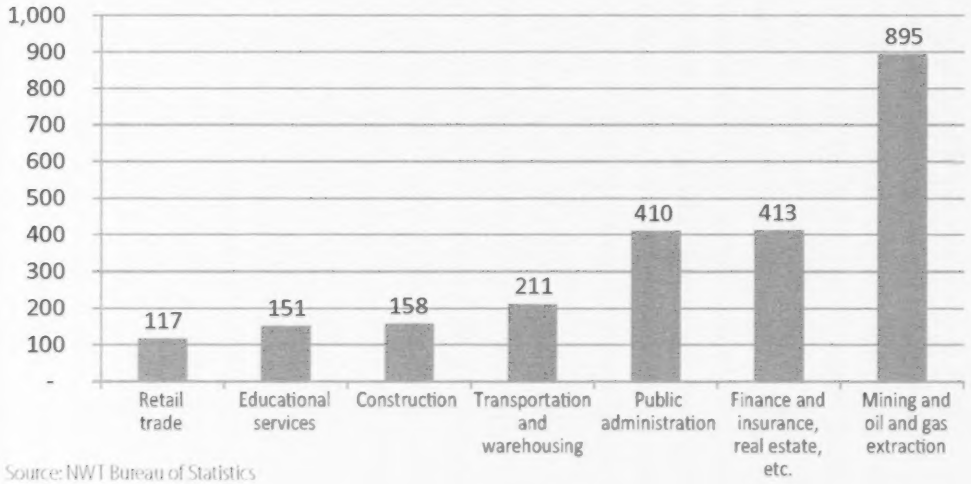


Source: Statistics Canada - CANSIM table 384-0002



Ekati™ Diamond Mine - Source: Ekati™ Mine

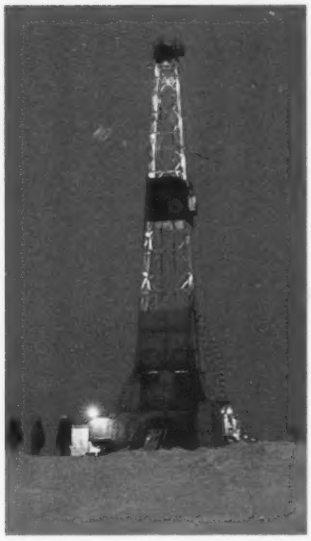
Major Contributors to GDP 2011 - (Real GDP, 2002 Chained $)



Source: NWT Bureau of Statistics

Mineral production is the major contributor to the NWT GDP, followed by finance and real estate. Public administration is the 3rd largest contributor to GDP. The chart above compares NWT GDP growth between 2006-2010 with other western provinces and territories. NWT growth is consistent with Alberta and BC, but lagging other jurisdictions.

DRIVERS OF THE NWT ECONOMY



Oil Exploration - Source: ITI Getty Images

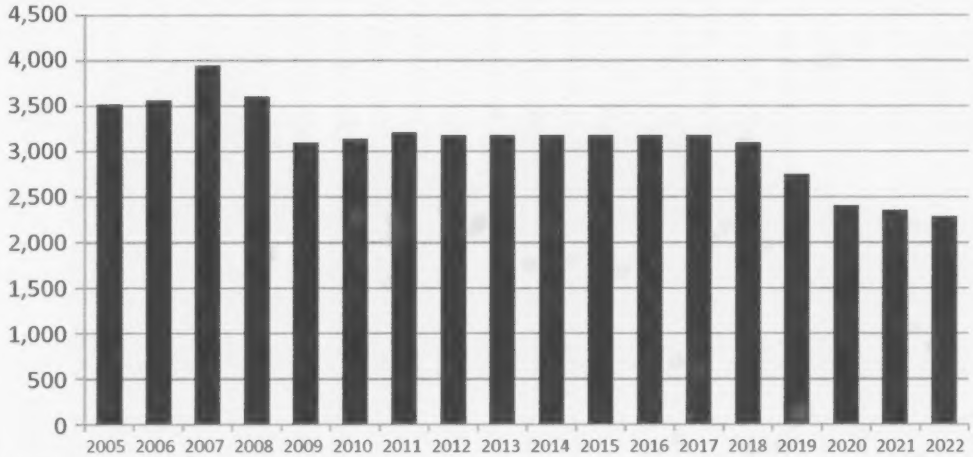
Resource Development

The mining, oil and gas industries are the primary drivers of the NWT economy. These three industries contributed more than 31 per cent to the NWT GDP in 2011, with diamond mining contributing more than 24 per cent of GDP.

Mining, especially diamond mining, is a very high value activity with relatively few workers required to produce large amounts of output. While the territory does produce tungsten, oil, and natural gas, its largest mining activity, by far, is diamond production. The diamond mining industry influences most aspects of the NWT's economy.

Since 1999, mining production tripled from $653 million to $2,144 million (2011). However, as existing mines progress through their lifespan towards closure, output is expected to decline significantly. In the absence of new mines or other major industries being developed, GDP is expected to decline further over the next decade. The closure of existing mines is also expected to lead to a significant reduction in employment, which, may lead to a decline in population.

NWT GDP Projection ($ Millions) - Ekati Closing in 2019



Source: NWT Economic Impact Model (ITI)

Oil and Gas

The Mackenzie Gas Project has not advanced to production, however new oil and gas opportunities may be on the horizon. Two parcels of land around Fort Good Hope were leased for $92 million. This is in addition to 11 more parcels that were awarded elsewhere in the central Mackenzie for a total of $535 million.

Mineral Exploration in Canada

Exploration and Deposit Appraisal Expenditures, [1]by Province and Territory, 2007-2012

Province/Territory	2007		2008		2009		2010		2011[a]		2012[b]	
	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)
Newfoundland and Labrador	148.0	5.2	146.7	4.5	54.9	2.8	105.2	3.8	172.1	4.4	233.8	5.6
Nova Scotia	23.5	0.8	21.4	0.7	9.0	0.5	16.7	0.6	12.7	0.3	21.0	0.5
New Brunswick	35.8	1.3	32.7	1.0	8.1	0.4	17.1	0.6	25.2	0.6	20.6	0.5
Quebec	476.4	16.8	526.1	16.0	379.3	19.5	511.6	18.5	709.5	18.1	763.5	18.1
Ontario	571.7	20.2	799.3	24.4	536.2	27.6	853.4	30.9	1,021.9	26.0	916.2	21.8
Manitoba	102.6	3.6	152.1	4.6	97.8	5.0	83.5	3.0	110.5	2.8	125.6	3.0
Saskatchewan	314.0	11.1	430.7	13.1	311.0	16.0	299.4	10.8	349.7	8.9	299.4	7.1
Alberta	11.8	0.4	20.8	0.6	8.3	0.4	15.2	0.5	44.1	1.1	38.6	0.9
British Columbia	470.6	16.6	435.4	13.3	217.1	11.2	374.4	13.5	567.7	14.5	812.3	19.3
Yukon Territory	144.7	5.1	134.0	4.1	90.9	4.7	156.9	5.7	306.6	7.8	285.0	6.8
Northwest Territories	193.7	6.8	147.7	4.5	44.1	2.3	81.7	2.9	105.4	2.7	124.0	2.9
Nunavut	338.0	11.9	432.6	13.2	187.6	9.6	256.7	9.3	502.3	12.8	568.6	13.5
Total	**2,830.8**	**100.0**	**3,279.5**	**100.0**	**1,944.4**	**100.0**	**2,771.9**	**100.0**	**3,927.8**	**100.0**	**4,208.5**	**100.0**

Source: Natural Resources Canada, from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development.

Expenditures: [1] Includes on-mine-site and off-mine-site activities; field work, overhead costs, engineering, economic and pre-or production feasibility studies, environment, and land access costs. [a] Preliminary estimates. [b] Spending intentions.

Notes: Numbers may not add to totals due to rounding. Exploration and deposit appraisal activities include only the search for and appraisal of deposits and do not include work for extensions of known reserves.

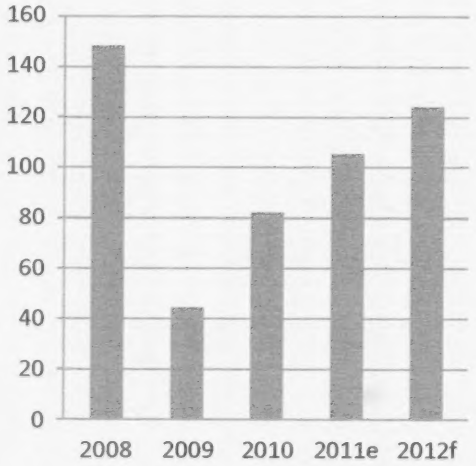
2012 expenditures on NWT mineral exploration and deposit appraisals are projected to total $124 million, or about 3 per cent of the total investment in Canada. This represents an increase of nearly 18 per cent from 2011 levels, but remains 36 per cent below 2007 levels.

Exploration activity affects not only current economic activity, it could also indicate reduced output within the NWT's mining industry over the long-term.

Overall Investment

Between 2008 and 2012 overall investment (public plus private) in the NWT declined 12%, from $1,562 million to $1,378 million. Over this same period, investment in the Yukon increased by 79%, from $580 million to $1,036 million.

Investment Between 2008 - 2012 ($ millions)



Source: Statistics Canada
Notes: e denotes estimate; f denotes forecast number

Economic Diversification

The Traditional Economy

The traditional economy is important throughout the NWT and particularly within smaller NWT communities. In 2008, nearly 40% of NWT residents hunted or fished during the year; a total of 2,948 produced arts and crafts and over $1.12 million in fur sales was realized. (NWT Bureau of Statistics)

Retail and Wholesale Sales

Retail and wholesale trade activities employ about 11% of the total NWT workforce. As well, these activities contribute nearly $184 million to the NWT's GDP (Statistics Canada).

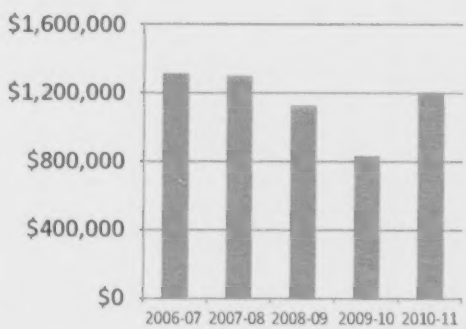
Construction

The construction industry employed about 1,700 people in the NWT in 2011 and added over $158 million to the NWT GDP (Statistics Canada).

Transportation

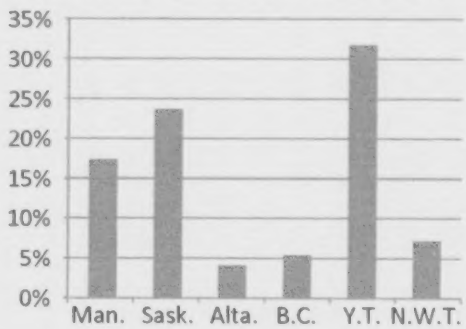
The industry serves communities, resource development projects, the tourism industry, governments as well as residents. The transportation and warehousing sector contributed over $211 million to Territorial GDP in 2011, employing over 2,000 people – about 7.4% of the total workforce (Statistics Canada).

Fur Sales



Source: Industry, Tourism and Investment

% Growth in Retail Over 2007-2011



Source: Statistics Canada

Tourism

During 2010/2011 year, tourism spending in the NWT exceeded $111 million and are projected to exceed $130 million by 2015 (Department of Industry, Tourism and Investment).

Manufacturing

Manufacturing showed significant growth between 1999 and 2005, when overall sales reached a peak of $91 million. Since 2008, sales have declined to $9 million, and the number of manufacturers has declined from 28 to 16.

Commercial Agriculture, Fishing and Forestry

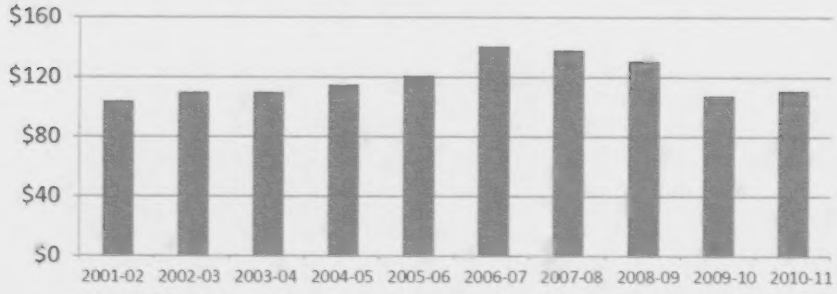
NWT fisheries experienced a decline in harvest since a peak of $2.5 million in 2001/2002. Current production is roughly $600,000 each year (Department of Industry, Tourism and Investment).

The forestry sector has been in decline for a number of years. However, there is potential for harvesting forest products for rough lumber, log home construction, firewood, and biomass.

Information and Culture

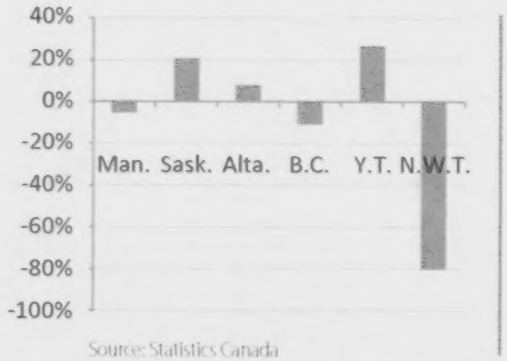
The industry includes publishing, the motion picture and sound recording businesses, the broadcasting, telecommunications and related services. Within this category, film productions contribute about $9 million to the NWT economy. Over the past year, the NWT has served as the site for the filming of a major television drama and several projects are currently seeking financing for filming in the NWT.

Tourism (Business and Leisure) Spending



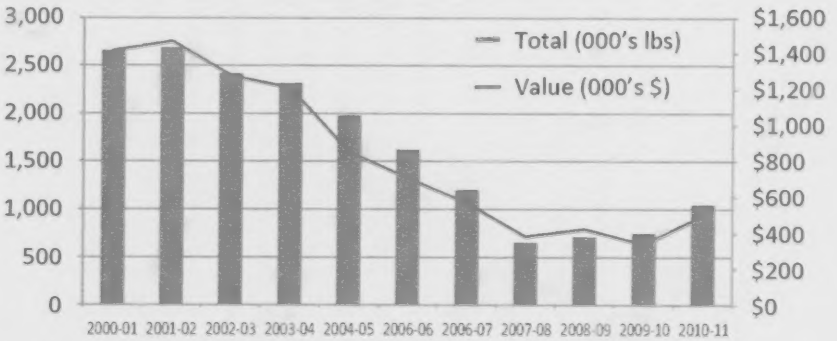
Source: ITI Surveys

% Growth in Manufacturing Over 2007-2011



Source: Statistics Canada

Commercial Fishery Sales and Harvest



Source: Freshwater Fish Marketing Corporation

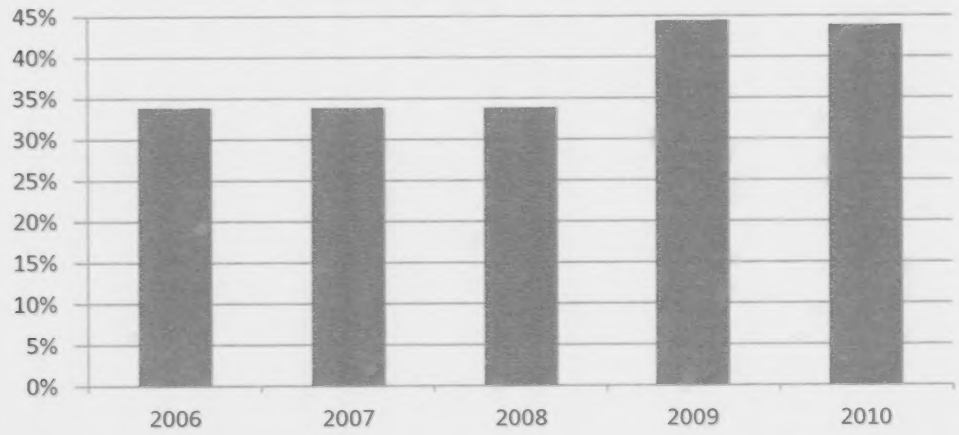
GOVERNMENT

Role in the Economy

The government sector, which includes public administration, education services, health care and social assistance services, and all levels of government, is a significant component of the economy. From 2006 to 2010, government expenditures averaged more than 38 per cent of GDP, reaching a high of nearly 45 per cent in 2009.

From 2007 to 2011 government sector employment has contributed nearly 30 per cent of total employment for the NWT.

Government Spending as Share of GDP (%)



Source: Department of Finance

Policy

Investment/Borrowing/Guarantee – Although GNWT capital investment now represents a much smaller proportion of total investment, it does make a very important economic contribution, not just in terms of the dollars laid out, but also in terms of infrastructure development.

Fiscal Policy / Taxes – Taxes can be targeted to specific goods or services to encourage or discourage their use. The general level of taxation can be changed to stimulate or slow the economy. The GNWT currently levies taxes on incomes (including a payroll tax), on commodities such as fuel and tobacco, on property, as well as on services such as insurance premiums. It also collects revenues from the sale of liquor and from numerous permits and licenses.

Policy – The GNWT influences economic activity through the policies it pursues in a wide range of areas such as the environment, social security and income support, and housing.

Legislation and Regulations – The GNWT establishes regulations to protect public health and safety, the environment, consumers and investors.

Land Claims

A number of agreements have been reached with the Dene, Métis and Inuvialuit since negotiations began in 1975 to settle outstanding land and resources agreements and fulfill outstanding obligations under Treaties 8 and 11. The federal Inherent Right Policy was adopted in 1995, setting the stage for self-government negotiations in Canada and the NWT.

Aboriginal rights negotiations in the NWT are guided by a framework that includes the federal Inherent Right Policy, Comprehensive Land Claims Policy, and Specific Claims Policy. Negotiations are also guided by precedent found in completed NWT final agreements and agreements-in-principle. In addition, GNWT participation is informed by the *Key Features of Western NWT Society* (tabled in the Legislative Assembly in September 1998), the *GNWT's Aboriginal Land Claims Policy*, and negotiating mandates.

Finalized claim agreements in the Northwest Territories include:

- Inuvialuit Final Agreement - 1984
- Gwich'in Comprehensive Land Claim Agreement - 1992
- Sahtu Dene and Métis Comprehensive Land Claim Agreement - 1994
- Salt River First Nation Treaty Settlement Agreement - 2002
- Tłı̨cho Agreement - August 2003

Land, resources and self-government agreements combine land claim and self-government into a single agreement. These agreements describe certain Aboriginal and Treaty rights in relation to land, resources and self-government. In addition to bringing clarity to Aboriginal ownership of land and resources, these agreements define the jurisdictions, authorities and responsibilities of Aboriginal Governments.

The Aboriginal Governments in the process of negotiating land, resources and self-government agreements are:

- Acho Dene Koe First Nations,
- Akaitcho Dene First Nations,
- Dehcho First Nations, and
- Northwest Territory Métis Nation.

Devolution

In Canada, 'devolution' usually refers to a transfer of powers from the federal government to a provincial or territorial government. The devolution of federal powers has happened many times in Canada since the late 1800s as our country has grown. Devolution may transfer authority over public programs and budgets only, or may include the right to make related legislation. The objective of devolution is to increase the self-sufficiency and accountability of Canada's regions.

Since 1967, the GNWT has received authority over education, health care, social services, highways, forestry management and airport administration in a number of separate devolution agreements. The GNWT is currently in negotiations to transfer administrative authority and control over Crown lands, resources and waters in the NWT from the Government of Canada to the GNWT.

This devolution initiative will move administration and control of Crown lands, resources and waters in the Northwest Territories (NWT) from the Government of Canada to the Government of the Northwest Territories (GNWT). It will also provide the territory with tens of millions of dollars in resource royalties each year that currently go directly to the federal government.

Devolution will mean:

1. **Decision-Making Power**
   NWT residents will have increased authority to make decisions about the way public lands, resources and waters are managed, the way the economy is developed and the way the environment is protected.
2. **New Government Revenues**
   The NWT – just like the provinces and Yukon – will receive a share of the royalties from resource development.
3. **Co-ordinated Land Stewardship**
   There will be increased opportunity for the GNWT, Aboriginal governments and NWT residents to work together on land management and natural resource stewardship strategies. (Initially, the GNWT will mirror existing federal legislation and processes to ensure a smooth transition.)
4. **More Jobs and Business Opportunities**
   New jobs will be created throughout the NWT as a direct result of devolution. In addition, the GNWT will have more revenues to invest in strategic economic growth initiatives that will create employment and business opportunities throughout the territory. Aboriginal governments will also have new revenues to provide opportunities based on their specific needs.

Other Initiatives

"Canada's Northern Strategy"

Canada's North is a fundamental part of Canada – it is part of our heritage, our future and our identity as a country. The Government of Canada has a vision for a new North and is taking action to ensure that vision comes to life – for the benefit of all Canadians.

To meet the challenges and opportunities of a changing North, the Government of Canada has established a comprehensive Northern Strategy and is taking concrete action in four priority areas:

- Exercising our Arctic sovereignty

- Protecting our environmental heritage
- Promoting social and economic development
- Improving and devolving Northern governance

World-leading Arctic science and technology underpin the Northern Strategy and help ensure sound decision-making.

The Government is committed to helping the North realize its true potential as a healthy, prosperous and secure region within a strong and sovereign Canada.

Land Use and Sustainability Framework

The NWT landmass is expansive and central to the lives of Northerners. Of the 1.3 million square kilometers, about 14% is currently Aboriginal owned and managed and; 86% is Federal Crown Land and the balance of about 0.2% of the NWT is under the control of the GNWT as Commissioner's Land. This ratio of Territorial and Federal lands will change through completion of the Final Devolution Agreement. However, lands currently under the control of the Government of Canada related to existing National Parks, National Park Reserves and Wildlife Sanctuaries will not be transferred to the GNWT through devolution. These lands currently account for approximately 98,000 square kilometres or 7% of the land mass of the NWT.

As well, it is important to note that the Final Devolution Agreement will also contain provisions requiring the GNWT to transfer back to Canada any lands needed for the settlement of lands, resources and self-government agreements as well as for future proposed National Parks and National Wildlife Areas under the NWT Protected Areas Strategy.

The GNWT needs to be well prepared for that change and is setting out an appropriate land management framework that will encourage and support:

- Awareness of the rich diversity of cultures and way of life of NWT residents;
- Environmental stewardship;
- Responsible economic development; and
- Strengthened partnerships between all levels of government and the private sector.

Other Programs and Initiatives

To prepare for the future, governments continue to be actively involved in planning, creating and adjusting programs and plans. Over the past few years the governments have undertaken a number of actions such as regulatory reform (Canada), enhancing the roles of community governments (GNWT/Canada), electrical power generation and distribution system reform (GNWT), examination of opportunities to use solar and biomass to generate electricity and heat and the renewal of the NWT Energy Strategy (GNWT). Many of these and other economic strategies are summarized in the "Literature Review", as part of this strategy process.

Further, the Government of Canada and the GNWT have collaborated in examining and, in some cases supporting, infrastructure projects such as the building of a road between Inuvik and Tuktoyuktuk, developing a proposal for the construction of a highway along the Mackenzie Valley and supporting the construction of a fiber-optic cable to serve residents of the Dehcho, Sahtu and Inuvik Regions. In terms of social programming, the GNWT continues to invest in its education and health care systems, examine options for poverty reduction and has moved to strengthen its early childhood education program.

Canada's Economic Action Plan

Through Canada's Economic Action Plan, the federal government is working to strengthen the northern economy by investing in Action Plan priorities, including Responsible Resource Development, Support for Workers and the Unemployed, and Building Canada's North.

Building Canada's North

The Government of Canada has made the North a top priority, with a clear vision for the North as a healthy, prosperous region within a strong and sovereign Canada. The Canadian Northern Economic Development Agency was established under Canada's Economic Action Plan, and the Community Infrastructure Improvement Fund, Northern Adult Basic Education Program, and Strategic Investments in Northern Economic Development program are just some of the programs in place to support jobs, growth and long-term prosperity in Canada's North.

Responsible Resource Development

About 800,000 Canadians work in natural resource sectors, while another 800,000 people are employed serving those sectors. Over the next decade, more than 600 major resource projects are planned, worth over $650 billion, representing hundreds of thousands of well-paying jobs in every sector of our economy, in every region of Canada.

Resource Development will ensure more predictable and timely reviews, reducing duplication, strengthening environmental protection, and enhancing consultations with Aboriginal peoples.

Support for Workers and the Unemployed

The Government of Canada offers programs and initiatives supporting workers and the unemployed, including Apprenticeship Grants, the Targeted Initiative for Older Workers, Work-Sharing, Strengthening Health Care in Rural and Remote Communities, Volunteer Firefighter Tax Credit, and the Hiring Credit for Small Businesses to name a few.

Source: Government of Canada

For more information about Canada's Economic Action Plan in the North, visit: www.actionplan.gc.ca

GOING FORWARD

In order to develop successfully, businesses and industry in the NWT need a basic set of "ingredients for success". These include access to resources, including labour, financing, infrastructure, markets and a positive growth environment *(Source: GNWT Economic Frameworks, 1999)*.

As we are developing a new NWT Economic Opportunities Strategy we will need to consider how best to support businesses and industry in a manner that will have the greatest benefit for northerners.

Float Plane Base in Yellowknife - Source: Dan Westman

Key Business Ingredients

In the past, we have heard from business and industry that there are several key conditions that are needed in order for sustainable economic growth to occur. These are:

- Access to Markets;
- A Supportive Business Environment;
- Financing;
- Access to Materials and Resources;
- A Skilled Northern Workforce; and
- Business Related Infrastructure.

Access to Markets

In general terms, business success is dependent upon market access. For businesses serving local markets, finding ways to successfully compete with lower cost southern-based suppliers can be a challenge. In addition, those producing goods and services at a distance from their customers must find the least expensive means of producing and then transporting their products. In a territory the size of the NWT, this can be a very challenging task.

For those businesses marketing their goods and services outside the NWT, the issues of transport/shipping are key. Infrastructure to support the transport of products becomes important.

A further point to consider with respect to the NWT Economic Opportunities Strategy is whether it is possible to develop goods and services that meet the needs of the market in the NWT, but are not currently available. For example, is it possible to produce vegetables or meat that meet local needs and can be distributed at a similar or lower price than those currently being purchased from the south?

Question to Consider:

- **What barriers exist that hinder market development?**

Ice Road Construction - Source: Nuna Logistics

The Business Environment

Business touches all communities and sectors; the 2006 Canada Census showed that there were 440 self-employed Aboriginal entrepreneurs in the NWT – an increase from 280 in 2001. The tourism sector, for example, is made up of small independent businesses providing a variety of services.

The Canadian Federation of Independent Businesses (CFIB) noted a better environment is needed to stimulate the ownership and operation of small and medium-sized businesses in the NWT. The review suggested that there is the need to act now because:

- The NWT's small business tax rate is one of the highest in northern and western Canada;
- There has been limited action on regulatory reform by the territorial government;
- There is a shortage of qualified labour; and
- High energy prices are a pressure point for many independent businesses.

The 2011/2012 survey of mining company executives by the Fraser Institute saw a significant improvement in the NWT's ranking as a "place to do business". The NWT has one of Canada's highest ratings for mineral potential. In the report, neither the current environmental regulations, nor the requirement for socio-economic agreements were seen as major deterrents to business and industry. As well, the ongoing enhancement to the Territorial geological database was identified as a positive inducement for investment. Significant concerns raised in the survey included:

- Lack of infrastructure (E.g. access to roads, power availability, etc.);
- Regulatory and administrative duplication between the GNWT and Canada;
- Unsettled Aboriginal land claims in some areas of the NWT;
- Uncertainty over the number and location of future protected areas; and
- Availability of labour.

CFIB Report on Red Tape

"Excessive regulation is unfair to small business. The smallest businesses pay five times more on a per-employee basis compared to larger businesses as they have many of the same requirements but none of the economies of scale. Among the smallest businesses, it is the owner doing most of the compliance."

Source: CFIB's 2012 Red Tape Report Card

Some Questions to Consider:

- **What actions could be implemented to promote business?**
- **How do we encourage added participation in the traditional economy?**
- **What actions are needed to eliminate duplication between governments?**
- **Can you identify areas where "red tape" can be reduced?**
- **How can we encourage diversification of the economy? For example, are there opportunities for expansion of traditional activities, forestry, agriculture and fishing?**

Business Financing

Starting a business, or operating and expanding a business generally requires investment and financing. The last major public review of economic development in the NWT, Common Ground, spent considerable time identifying issues related to business financing. These included:

- *Gaps and overlaps in existing funding programs for small business. Businesses can access funding from a number of sources within the GNWT, from Aboriginal corporations, banks and federal government agencies. The added expense to government, and confusion to business, is unnecessary. Panel members noted that the majority of current funding often goes to the same businesses while other businesses do not receive assistance. Market disruption criteria on some funding programs are also a disincentive.*
- *Financial assistance and business advisors must work together to streamline access to lending programs and services. Public and private providers, including banks, need to cooperate.*

Source: Common Ground – Recommendations

Question to Consider:

- **Are the issues identified by Common Ground (listed above) still valid?**
- **If so, what solutions should be examined?**

Access to Resources

As much of the NWT economy is driven by resource development and extraction, the importance of access to lands and resources is critical. This is particularly true for mineral development, oil and gas, tourism, agriculture and forestry. These businesses need to be able to access resources and land in order for their businesses to continue.

Business and industry representatives suggest that access to lands is often unclear and uncertain. As well, they argue that the complexity of review and licensing is overly time consuming and costly. However, the system that is currently in place will evolve with the settlement of land claims and devolution. As a result, this provides us with an opportunity to begin to think about how we can develop legislation, regulation and processes that are as simple and transparent as possible.

Some Questions to Consider:

- **Can we find ways to improve the clarity and certainty of land access?**
- **How can we finalize land use plans and clarify procedures for land access?**
- **Should increased land ownership on existing "Commissioner's" lands be considered in some situations?**

Population Registered in Apprenticeships

Province/ Territory	2006	2010
Manitoba	**7,251**	**10,320**
Males	6,090	8,904
Females	1,161	1,416
Saskatchewan	**7,917**	**11,859**
Males	7,002	10,632
Females	912	1,224
Alberta	**73,494**	**89,190**
Males	67,035	81,060
Females	6,459	8,130
British Columbia	**40,197**	**51,321**
Males	37,431	45,933
Females	2,763	5,388
Yukon	**426**	**561**
Males	390	504
Females	36	60
NWT	**411**	**459**
Males	390	435
Females	21	27

Source: Statistics Canada

A Skilled Northern Workforce

The July 2012 Labour Force Activity Survey (NWT Bureau of Statistics) indicated that 23,100 residents were employed at that time. That amounts to just over 72% of all those in the labour force being employed. Of this number 10,600 were employed in the private sector, 1,200 were self-employed and the remainder worked for public sector employers.

NWT employment reached its peak during 2007, since then overall employment has declined. The most significant decline is in the self-employed group, down by 900. This group includes many working in the trades and professional people running their own business. Despite having a decline in overall employment during this period, the NWT still has one of Canada's highest rates of employment.

Increasingly, employers are requiring a solid high school education and appropriate skill or apprenticeship training. Residents interested in technical or managerial positions require post-secondary studies at a college or university level.

Skills and knowledge levels of northern workers have improved significantly over the past 20 years. For example, the percentage of Aboriginal 18 year olds graduating from high school has increased from 20% in 1994/95 to 44% in 2007/2008 (NWT Bureau of Statistics).

Trades skills are in critical demand by industry, government and consumers. Many apprenticeship trades are a "stepping stone" to starting a business. Although the NWT has more residents than the Yukon, the NWT has fewer apprentices. And, while more and more women are realizing the benefits of apprenticeship training in Canada, the NWT only has 27 women registered as apprentices, compared to 60 in the Yukon.

Some Points for Discussion:

- **How can we attract more men and women into the trades?**
- **What can be done to ensure northern graduates have access to the best opportunities here in the NWT?**
- **How can we improve mobility of workers within the NWT?**
- **How can we attract and retain needed workers?**

Business Infrastructure

While there has been no recent survey, the 2001 business survey by the NWT Construction Association and NWT Chamber of Commerce found business assets, especially in smaller communities, to be older than 30 years. This likely means most commercial buildings in smaller communities are not energy efficient.

Business infrastructure also includes public infrastructure that can affect a business market or profitability. While the types of infrastructure required to support various businesses and industry may vary, generally speaking, the following types are seen as important:

- Suitable roads, bridges, airports and harbours (transportation infrastructure);
- Reasonably priced and accessible electricity;
- Reasonably priced and accessible telecommunications and internet services;
- A reasonably priced housing market with sufficient vacancies to accommodate workers and management personnel;
- Recreational amenities to support a balanced lifestyle and healthy living;
- Public education and training facilities for early childhood education, schools and post secondary programs;
- Municipal systems such as public water and sewer systems and waste disposal facilities; and,
- Health facilities supporting primary, secondary and access to tertiary care.

Some Points for Discussion:

- **What do you see as the major infrastructure challenges for the NWT?**
- **What are the primary public infrastructure investments needed to support development?**
- **What approaches would you suggest to reduce business heating and electrical costs?**

WHAT'S NEXT

The circulation of this discussion paper is the first step in the preparation of the NWT Economic Opportunities Strategy. During the last quarter of 2012 and first quarter of 2013, the panel will hold a number of sessions and meetings in communities across the NWT to build a better understanding of issues, challenges and opportunities as they relate to resource development projects and regional diversification initiatives in the Northwest Territories.

In addition, as the Governance Committee works to develop the strategy, the Government of the Northwest Territories intends to consult with Aboriginal governments and organizations.

Your comments and suggestions are fundamental to the development of a meaningful NWT Economic Opportunities Strategy. We value your participation in this process and encourage you to visit our website at www.NWTOpportunities.com to share your views, or to learn more about attending the upcoming strategy information session that will be held in your region.

Upon completion of the strategy, printed copies will be made available for distribution through the Governance Committee member organizations. Subsequently, the Department of Industry,Tourism and Investment intends to go one important step further, and will table the strategy in the NWT Legislative Assembly.

REFERENCES

As part of the process involved with development of a new Economic Opportunities Strategy, research will be undertaken on related initiatives within the NWT and elsewhere, both for reference and best practice. A Literature Review has been drafted to facilitate this review. A research blog will also be created, housing a library of best practices. The literature review will include:

- Common Ground, the 1990 economic strategy;
- Round Table on Poverty (when available)
- NWT Mineral Strategy (as work progresses)
- Promise and Prosperity – The Aboriginal Business Survey; Canadian Council for Aboriginal Businesses
- John F. Kennedy School of Government, Harvard:
  - "What Makes First Nations Enterprises Successful?"
  - "Seizing the future: Why Some Native Nations do and others do not"
  - "Indigenous-Led Fisheries Innovation in North America"
  - "Sovereignty and Nation-Building: The Development Challenge in Indian Country Today"
  - "Two Approaches to Economic Development on American Indian Reservations: One Works, the Other Doesn't"
  - "Native American Economic Development and appropriate principles of governance for Aboriginal Australia"
- Agriculture 2012 – Industry/ITI study
- Energy 2012 – GNWT Strategy Document
- The Business of Film – Industry/ITI study
- Tourism 2015 – Industry/ITI study
- Creating Wealth and Employment in Aboriginal Communities – Conference Board of Canada
- Plan Nord (Quebec's Northern Development Strategy)
- Canada's Northern Strategy (Government of Canada)
- The Winner's Choice: Sustainable Economic Strategies for the Successful Regions – University of Oxford
- Canada's Northern Economies – Helping Northern Communities Build a Sustainable Future – Dr. Southcott, Northern Development Minister's Forum
- Bridging the Aboriginal Education Gap – Gabriel Dumont Institute

Copies of the GNWT's Sustainable Development Policy, the NWT Water Stewardship Strategy, the Land Use and Sustainability Strategy (currently in development) will be made available during the process of public engagement and consultation.

YOUR THOUGHTS

Please provide any feedback on the strategy process, or on any of the key questions. We are especially interested in hearing of your experiences in running a business in the Northwest Territories and we are looking for ideas to increase business success and innovation. We are always looking for new ideas.

Your Information:

Name _____

Phone _____

Email _____

Comment or Suggestion:

Submit

Email Comments@NWTOpportunities.com or fax 867-873-0434